

Message Text

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PAGE 01 STATE 058073

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TO AMEMBASSY LIBREVILLE PRIORITY

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FOLLOWING REPEAT KINSHASA 2482 ACTION SECSTATE 21 MAR 74

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LIMITED OFFICIAL USE KINSHASA 2482

FOR AF/C COHEN FROM AMBASSADOR

DEPT PASS EXIMBANK FOR ACTING PRESIDENT SAUER

E.O. 11652: NA

TAGS: EFIN, ETRN, CG, US

SUBJ: EXIMBANK LOAN FOR NEW AIRCRAFT: AIR ZAIRE'S FINANCES

1. WHEN I SAW PRESIDENT MOBUTU MARCH 9 I STRESSED THE UNSATISFACTORY STATE OF AIR ZAIRE'S FINANCES. HE REQUESTED ME TO PREPARE A REPORT ON THE OVERALL SITUATION WHICH WOULD INCLUDE A DISCUSSION AS TO THE MOST ECONOMIC MIX OF EQUIPMENT AND SCHEDULES. THE EMBASSY IMMEDIATELY PREPARED A REPORT DRAWING ON PREVIOUS ANALYSES DONE BY PAN AM AND COORDINATED IT WITH THE CHIEF OF THE PAN AM TAP TEAM (WHO IS ALSO THE DIRECTOR GENERAL OF AIR ZAIRE). REPORT IS COMPREHENSIVE AND SETS OUT IN DETAIL DEBTS OWED BY AIR ZAIRE, SUBSTANTIAL DEBTS OWED TO AIR ZAIRE, CAPITAL AND INTEREST PAYMENTS DUE ON OUTSTANDING LOANS, SUGGESTED BASIC OPERATING PLAN WITH ALTERNATIVES. COPIES HAVE BEEN FORWARDED

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TO: PRESIDENT MOBUTU, DIRECTOR OF PRESIDENCY, AND MINISTERS

OF TRANSPORT, FINANCE AND GOVERNOR OF THE
NATIONAL BANK.

2. I HELD LENGTHY MEETING WITH MINISTER OF TRANSPORT EKETEBI
MARCH 20 AND WENT OVER REPOR IN DETAIL. HE CALLED MEETING
MARCH IN WHICH HE, MYSELF, THE MINISTER OF FINANCE, GOVERNOR
OF BANK, AND THE DIRECTOR GENERAL OF AIR ZAIRE PARTICIPATED. I STATED
MY UNDERSTANDING THAT THERE REMAINED TWO CONDITIONS PRECEDENT
BEFORE EXIMBANK WAS PREPARED TO PROCEED WITH THE FINANCEING
OF THE TWO DC-10S AND THRE THREE B-737S. FIRST WAS THAT AIR
ZAIRE BE PUT IN SOUND FINANCIAL CONDITION. SECOND WAS
THE USUAL REQUIREMENT FOR A MORTGAGE ON EACH AIRCRAFT.

3. ALL PRESENT HAD DONE THEIR HOMEWORK. AFTER A LENGTHY
DISCUSSION OF ALL ASPECTS OF THE PROBLEM, THE ZAIRIAN
PRINCIPALS DECIDED TO FURNISH AIR ZAIRE WITH TEN MILLION
ZAIRE (I.E. \$20 MILLION) IMMEDIATELY. THEY ALSO AGREED
TO RECOMMEND TO PRESIDENT MOBUTU THAT THE OPTION TO PURCHASE
THE B-747 NOT RPT NOT BE EXERCISED AND THAT AT LEAST TWO
DC-8S BE SOLD AND OTHER ECONOMIES MADE. ADDITIONAL FUNDS
NEEDED ARE TO BE SUPPLIED IN IMMEDIATE FUTURE BUT THIS SUM
MORE THAN COVERS DEBTS NOW DUE AND AIR ZAIRE HAS \$30 MILLION
DUE IT ON CURRENT ACCOUNTS.

4. CONCERNING THE PROPOSAL FOR A MORTGAGE, THE ZAIRIAN
PRINCIPALS NOTED THT ZAIRIAN LAW DOES NOT PROVIDE FOR
MORTGAGES ON MOVABLE PROPERTY. MOREOVER, THE AIRCRAFT ARE
BEING PURCHASED BY THE REPUBLIC OF ZAIRE WHICH LOANS THEM
TO AIR ZAIRE. THE GOVERNMENT
OF ZAIRE THUS ASSUMES
RESPONSIBILITY FOR THE DEBT AND THE GOZ NO MORE THAN THE
USG MORTGAGES ITS OWN PROPERTY.

5. HAVING ACHIEVED THE FINANCIAL BREAKTHROUGH ABOVE, I MOST
STRONGLY RECOMMEND THAT EXIMBANK PROMPTLY PROCEED WITH THE
FINANCING PACKAGE FOR ALL FIVE AIRCRAFT. THE SECOND BOEING
737 IS DUE TO BE DELIVERED MARCH 23 AND FNCB WILL NOT
PROCEED WITH BRIDGE FINANCING IN ABSENCE OF FAVORABLE
EXIMBANK DECISION ON ENTIRE PACKAGE. IN MY JUDGMENT, NOT
TO GO AHEAD WITH OVERALL PACKAGE WOULD HAVE EXTREMELY
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ADVERSE CONSEQUENCES FOR OUR RELATIONS WITH ZAIRE.

6. EXIMBANKS JUNE 1973 LETTER TO MINISTER OF FINANCE
SETTING FORTH CONDITIONS PRECEDENT WAS NEVER RECEIVED BY
GOZ OR EMBASSY. IN SO FAR AS GOZ AND EMBASSY CONCERNED,
EXIMBANKS JUNE 17 PRESS RELEASE ANNOUNCING DECISION
TO FINANCE PACKAGE MEANT LAST MAJOR HURDLE HAD
BEEN PASSED.

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